October 23, 1990

To: WELL Board of Directors
From: Cliff Figallo
Subject: Budget for 1991

The accompanying Budget Summary and Budget Detail for 1991 are submitted for comment at the upcoming Board Meeting of November 3, 1990.

The main assumptions of this budget are the following:

Growth of 25% in paying users (same growth rate as shown over last twelve months).

why?

Growth of 33% in total revenues (considerably lower than that shown over last twelve months).

Continued emphasis on Customer Support and improvement of the user interface through contract programming and development of frontends.

Marketing to special interest groups, organizations and associations who are good fits for the WELL. Continued promotion of the WELL as a newsworthy place to be for journalists.

Continued expansion of the current hardware system through addition of processors, ports, modems and disks. We believe at this time that the current host computer will handle the upcoming fiscal year's growth.

Experimentation and investigation into the regular use of porting activities between the WELL and other systems around the globe.

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I look forward to your comments and suggestions at the meeting.

Sincerely,

Cliff Figallo

(3)

Put bk w/ Oct 90 BD Mtg minutes

WELL Budget Summary for 1991

	Jan-91	Feb-91	Mar-91	Apr-91	May-91	Jun-91	Jul-91	Aug-91	Sep-91	Oct-91	Nov-91	Dec-91	1991
SUMMARY													
Income Statement													
Total Revenue	75,678	77,452	79,226	80,999	82,773	84,547	86,321	88,094	89,868	91,642	93,416	95,189	1,025,204
EXPENSES													
Personnel	29,657	27,947	27,947	30,106	27,947	27,947	30,867	27,947	28,279	31,679	28,279	28,279	346,882
Computer Operations	19,803	20,198	21,544	20,991	21,389	21,787	22,686	23,087	23,488	23,890	25,042	25,461	269,365
Sales/Marketing	1,383	1,411	4,440	1,470	1,501	1,533	1,567	1,601	1,637	1,674	1,712	1,752	21,681
Office	3,171	3,212	3,254	3,298	3,343	3,389	3,436	3,485	3,536	3,588	3,641	3,696	41,049
Customer Support	2,413	2,416	2,468	2,471	2,474	2,476	2,479	2,482	2,485	2,488	2,491	2,494	29,635
General & Administrative	7,330	6,822	7,915	7,866	7,226	8,319	8,212	7,572	7,957	9,850	8,211	8,305	95,586
Total Expenses	63,756	62,006	67,569	66,202	63,879	65,452	69,248	66,175	67,381	73,168	69,376	69,987	804,199
EBIT	11,922	15,446	11,657	14,798	18,894	19,095	17,073	21,919	22,487	18,473	24,039	25,203	221,005
Interest Income/Expense	(57)	(46)	(4)	2	20	71	132	159	140	215	244	331	1,208
EBT	11,865	15,400	11,653	14,800	18,914	19,165	17,205	22,079	22,627	18,688	24,283	25,533	222,213
* Corporate Taxes TIMING IS NOT AS PAID BUT AS ACCRUED	4,272	5,544	4,195	5,328	6,809	6,899	6,194	7,948	8,146	6,728	8,742	9,192	79,997
Earnings	7,594	9,856	7,458	9,472	12,105	12,266	11,011	14,131	14,482	11,960	15,541	16,341	142,216
Dividends or Buyout payments													
Net Earnings	7,594	9,856	7,458	9,472	12,105	12,266	11,011	14,131	14,482	11,960	15,541	16,341	142,216
Capital Budget Total	12,000		3,500	4,000			4,000	17,500		4,000			45,000
CASH FLOW ANALYSIS where is 2,500 loan repmt?													
Net Earnings	7,594	9,856	7,458	9,472	12,105	12,266	11,011	14,131	14,482	11,960	15,541	16,341	142,216
Sub: Non-Income Cash Uses													
New plant and equipment	(12,000)		(3,500)	(4,000)			(4,000)	(17,500)		(4,000)			(45,000)
Add: Non-Cash Expenses													
Depreciation	2,249	2,448	2,448	2,506	2,573	2,573	2,573	2,639	2,929	2,929	2,996	2,996	31,858
Add: Increases in Liabilities													
Short Term	2,921	(3,594)	3,119	(1,339)	948	567	1,354	1,158	716	199	2,133	963	9,145
Long Term	(3,094)	(3,101)	(3,128)	(3,115)	(3,129)	(3,130)	(3,143)	(3,145)	(3,153)	(3,166)	(3,169)	(3,181)	(37,654)
Sub: Increases in Non-Cash Assets													
Accounts receivable	8,835	(1,330)	(1,330)	(1,330)	(1,330)	(1,330)	(1,330)	(1,330)	(1,330)	(1,330)	(1,330)	(1,330)	(5,799)
Credit card vouchers	(5,741)	(1,330)	(1,330)	(1,330)	(1,330)	(1,330)	(1,330)	(1,330)	(1,330)	(1,330)	(1,330)	(1,330)	(20,375)
Net Cash Flow	763	2,949	3,736	863	9,836	9,615	5,134	(5,378)	12,314	5,262	14,840	14,459	74,392
Cash Balance 33,487	34,250	37,199	40,935	41,798	51,633	61,248	66,382	61,004	73,318	78,580	93,421	107,879	

* HOW TO SPEND $ SO DON'T PAY TX.

WELL Budget Details for 1991

Jan-91	Feb-91	Mar-91	Apr-91	May-91	Jun-91	Jul-91	Aug-91	Sep-91	Oct-91	Nov-91	Dec-91	1991

Make a fn. →

95	Monthly growth in paying users (33% annual)
62.00%	Percent actives to paying users
33.00%	Annual growth in expenses
75.00%	Proportion of monthly revenue which is credit card
10.61%	Payroll taxes as percentage of payroll expense
	Monthly buyout payment or dividend
$2,500	Monthly payment on NETI advance
$817.69	Monthly payment on Sequent note
13%	Sequent Note rate
6%	Interest on cash in the bank
36.00%	Corporate tax rate
90	A/R (days)
30	A/P (days)
$8.00	Monthly Fee
$3.00	Hourly Fee
$5.00	Packet Fees
$0.50	Leased line fee
$0.02	Disk storage per Kilobyte
26.00%	Percentage of charges given as complimentary discounts

Correct? ←

4.00	Avg Packet Hour Use
38.00%	Percentage of Actives using Packet
$25.00	Registration fee for Invoiced User
6.1	Avg Hours per Active Payer
64.00	Avg Kb storage over allowance per payer
6.00	Avg hours Leased Line usage
15.00%	Percentage of Actives using Leased Lines

} HOW TO STIMULATE?

$5^{hr} \times \$2/hr = 10$
10
20

$5 \times 3 = 15$
$1 \times 8 = 8$
23

$.62 \times 6.1$ AVG. $+ .38 \times 0 = 3.782.$
$\times 3.$
11.3

Income Statement

	Jan-91	Feb-91	Mar-91	Apr-91	May-91	Jun-91	Jul-91	Aug-91	Sep-91	Oct-91	Nov-91	Dec-91	1991
Revenue													
Paying Users	4005	4099	4194	4288	4383	4478	4572	4667	4761	4856	4951	5045	
Active Users	2483	2542	2600	2659	2717	2776	2835	2893	2952	3011	3069	3128	
Average Active Hours/User	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	6.1	
Packet Users	943	966	988	1010	1033	1055	1077	1099	1122	1144	1166	1189	
Packet hour usage	3,773.94	3,863.09	3,952.24	4,041.39	4,130.54	4,219.69	4,308.84	4,397.99	4,487.14	4,576.29	4,665.45	4,754.60	
Leased line usage													
Monthly fees	32,037	32,794	33,550	34,307	35,064	35,821	36,578	37,334	38,091	38,848	39,605	40,362	434,390
Hourly fees	45,436	46,510	47,583	48,656	49,730	50,803	51,876	52,950	54,023	55,096	56,170	57,243	616,074
Packet fees	18,870	19,315	19,761	20,207	20,653	21,098	21,544	21,990	22,436	22,881	23,327	23,773	255,856
Leased line fees													
Disk storage	5,126	5,247	5,368	5,489	5,610	5,731	5,852	5,974	6,095	6,216	6,337	6,458	69,502
Other Revenue (Registrations Fees)	591	591	591	591	591	591	591	591	591	591	591	591	7,095
Discounts	26,382	27,005	27,628	28,251	28,875	29,498	30,121	30,744	31,368	31,991	32,614	33,237	357,714
Total Revenue	75,678	77,452	79,226	80,999	82,773	84,547	86,321	88,094	89,868	91,642	93,416	95,189	1,025,204

5% COST OF LIVING
1 + 1/2 of 1st Dependent

	Jan-91	Feb-91	Mar-91	Apr-91	May-91	Jun-91	Jul-91	Aug-91	Sep-91	Oct-91	Nov-91	Dec-91	1991
EXPENSES													
Personnel													
Director Cliff	6,390	4,245	4,245	6,196	4,245	4,245	6,884	4,245	4,245	7,319	4,245	4,245	60,745
System Admin David	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,150	3,150	3,150	3,150	36,600
Engineer Kenton	2,400	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	35,400
Customer Support	4,500 *	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	54,000
Marketing Director Tex	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	3,500	42,000
Accounts Manager Robin	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,150	3,150	3,150	3,150	36,600
Admin. Asst. Hilarie	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	2,400	28,800
Bookkeeper Patricia	500	500	500	500	500	500	500	500	500	500	500	500	6,000
Payroll Taxes	2,726	2,562	2,562	2,769	2,562	2,562	2,842	2,562	2,594	2,920	2,594	2,594	31,845
Benefits	1,241	1,241	1,241	1,241	1,241	1,241	1,241	1,241	1,241	1,241	1,241	1,241	14,892
	29,657	27,947	27,947	30,106	27,947	27,947	30,867	27,947	28,279	31,679	28,279	28,279	346,882
Computer Operations													
Computer Space Rent	450	450	450	450	450	450	450	450	450	450	450	450	5,400
Electricity	403	411	419	427	435	443	451	460	469	478	487	496	5,378
Hardware	50	50	1,000	50	50	50	50	50	50	50	50	50	1,550
Software	50	50	50	50	50	50	50	50	50	50	50	50	600
Modems	200	200	200	200	200	200	200	200	200	200	200	200	2,400
Maintenance & Repair	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	18,000
Packet Services	15,096	15,452	15,809	16,166	16,522	16,879	17,235	17,592	17,949	18,305	18,662	19,018	204,685
Phone Services	1,554	1,585	1,616	1,649	1,682	1,715	1,750	1,785	1,820	1,857	2,644	2,697	22,352
Contract Programming	500	500	500	500	500	500	1,000	1,000	1,000	1,000	1,000	1,000	9,000
	19,803	20,198	21,544	20,991	21,389	21,787	22,686	23,087	23,488	23,890	25,042	25,461	269,365
Sales/Marketing Low.													
Travel & entertainment	200	207	214	222	230	238	246	254	263	273	282	292	2,920
Promotional materials	500	518	3,536	554	574	594	615	636	658	681	705	730	10,301
Advertising	400	400	400	400	400	400	400	400	400	400	400	400	4,800
Network subscriptions	75	75	75	75	75	75	75	75	75	75	75	75	900
Telephone	104	107	111	115	119	123	127	132	136	141	146	151	1,511
Complimentary WELL time	104	104	104	104	104	104	104	104	104	104	104	104	1,248
	1,383	1,411	4,440	1,470	1,501	1,533	1,567	1,601	1,637	1,674	1,712	1,752	21,681

VS 1990 ?

HOW MANY PEOPLE? OUT OF LINE IF ONE. BREAKDOWN.

* John Hogue @ $10/hr.

WELL Budget Details for 1991

	Jan-91	Feb-91	Mar-91	Apr-91	May-91	Jun-91	Jul-91	Aug-91	Sep-91	Oct-91	Nov-91	Dec-91	1991
Office													
Office Rent	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	1,800	21,600
Utilities	110	114	118	122	127	131	136	140	145	150	156	161	1,611
Postage	320	328	336	343	351	358	366	373	381	388	396	404	4,344
Computer Hardware	30	30	30	30	30	30	30	30	30	30	30	30	360
Computer Software	50	50	50	50	50	50	50	50	50	50	50	50	600
Phones	292	303	313	324	336	347	359	372	385	398	412	427	4,269
Office Supplies	431	446	462	478	495	512	530	548	568	587	608	629	6,294
Temp Labor	67	69	71	74	77	79	82	85	88	91	94	97	974
Repairs & Maintenance	50	52	54	55	57	59	61	64	66	68	71	73	730
Communications	20	20	21	21	22	22	22	23	23	24	24	25	267
	3,171	3,212	3,254	3,298	3,343	3,389	3,436	3,485	3,536	3,588	3,641	3,696	41,049
Customer Support													
Support Materials	1,892	1,892	1,892	1,892	1,892	1,892	1,892	1,892	1,892	1,892	1,892	1,892	22,704
Postage	331	331	331	331	331	331	331	331	331	331	331	331	3,973
Labor	40	40	40	40	40	40	40	40	40	40	40	40	480
Complimentary WELL Time	150	153	155	158	160	163	166	169	172	175	178	181	1,978
Training			50	50	50	50	50	50	50	50	50	50	500
	2,413	2,416	2,468	2,471	2,474	2,476	2,479	2,482	2,485	2,488	2,491	2,494	29,635
General & Administrative													
Insurance	350	350	350	350	350	350	350	350	350	350	350	350	4,200
Depreciation	2,249	2,448	2,448	2,506	2,573	2,573	2,573	2,639	2,929	2,929	2,996	2,996	31,858
Bad Debts	2,270	2,324	2,377	2,430	2,483	2,536	2,590	2,643	2,696	2,749	2,802	2,856	30,756
Outside Professional Services			1,000			1,000				1,000			3,000
Bank Fees	1,536	1,572	1,608	1,644	1,680	1,716	1,752	1,788	1,824	1,860	1,896	1,932	20,812
Miscellaneous	100	104	107	111	115	119	123	127	132	136	141	146	1,460
Non-taxable Donations	25	25	25	25	25	25	25	25	25	25	25	25	300
Board-related Expenses	800			800			800			800			3,200
	7,330	6,822	7,915	7,866	7,226	8,319	8,212	7,572	7,957	9,850	8,211	8,305	95,586
Total Expenses	63,756	62,006	67,569	66,202	63,879	65,452	69,248	66,175	67,381	73,168	69,376	69,987	804,199
Earnings Before Interest & Taxes	11,922	15,446	11,657	14,798	18,894	19,095	17,073	21,919	22,487	18,473	24,039	25,203	221,005

	Jan-91	Feb-91	Mar-91	Apr-91	May-91	Jun-91	Jul-91	Aug-91	Sep-91	Oct-91	Nov-91	Dec-91	1991
Interest Income (Expense)													
Interest rec'd from cash in bank	167	171	186	205	209	258	306	332	305	367	393	467	3,366
Sequent loan interest paid	(224)	(217)	(190)	(202)	(189)	(188)	(174)	(172)	(165)	(152)	(149)	(137)	(2,159)
	(57)	(46)	(4)	2	20	71	132	159	140	215	244	331	1,208
Earnings Before Taxes	11,865	15,400	11,653	14,800	18,914	19,165	17,205	22,079	22,627	18,688	24,283	25,533	222,213
Corporate taxes	4,272	5,544	4,195	5,328	6,809	6,899	6,194	7,948	8,146	6,728	8,742	9,192	79,997
Earnings	7,594	9,856	7,458	9,472	12,105	12,266	11,011	14,131	14,482	11,960	15,541	16,341	142,216
Dividends													
Net Earnings	7,594	9,856	7,458	9,472	12,105	12,266	11,011	14,131	14,482	11,960	15,541	16,341	142,216
Capital Budget													
Sequent expansion	5,000	Ports	3,500	Processors				17,500	Dynix Upgrade				26,000
Modems	4,000			4,000			4,000			4,000			16,000
Office equipment	3,000	Laserwriter											3,000
Other													
	12,000		3,500	4,000			4,000	17,500		4,000			45,000

	Jan-91	Feb-91	Mar-91	Apr-91	May-91	Jun-91	Jul-91	Aug-91	Sep-91	Oct-91	Nov-91	Dec-91	1991
BALANCE SHEET													
Short Term Assets													
Cash in bank	34,250	37,199	40,935	41,798	51,633	61,248	66,382	61,004	73,318	78,580	93,421	107,879	
Accounts receivable	56,758	58,089	59,419	60,749	62,080	63,410	64,740	66,071	67,401	68,731	70,062	71,392	
Credit card vouchers	56,758	58,089	59,419	60,749	62,080	63,410	64,740	66,071	67,401	68,731	70,062	71,392	
Other													
	147,767	153,377	159,773	163,297	175,793	188,069	195,863	193,146	208,120	216,043	233,544	250,663	
Long Term Assets													
P & E	179,499	179,499	182,999	186,999	186,999	186,999	190,999	208,499	208,499	212,499	212,499	212,499	
Accumulated depreciation	(42,145)	(44,593)	(47,041)	(49,547)	(52,119)	(54,692)	(57,265)	(59,904)	(62,833)	(65,763)	(68,758)	(71,754)	
	137,354	134,906	135,958	137,452	134,879	132,307	133,734	148,595	145,666	146,736	143,740	140,745	
	285,122	288,283	295,731	300,748	310,672	320,375	329,597	341,741	353,786	362,779	377,284	391,408	
Short Term Liabilities													
Prepaid usage	4,367												
Accounts payable	28,906	28,571	33,038	30,359	30,033	30,510	32,290	31,973	32,461	33,751	34,196	34,709	
Sequent loan (current period)	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	
NETI loan (current period)	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	
Payroll taxes payable	2,726	2,562	2,562	2,769	2,562	2,562	2,842	2,562	2,594	2,920	2,594	2,594	
Corporate taxes payable	4,272	5,544	4,195	5,328	6,809	6,899	6,194	7,948	8,146	6,728	8,742	9,192	
	77,771	74,176	77,295	75,956	76,903	77,471	78,825	79,984	80,700	80,899	83,031	83,995	
Long Term Liabilities													
NETI advance	30,000	27,500	25,000	22,500	20,000	17,500	15,000	12,500	10,000	7,500	5,000	2,500	
Sequent loan	10,750	10,149	9,521	8,906	8,277	7,647	7,003	6,358	5,705	5,039	4,371	3,690	
	40,750	37,649	34,521	31,406	28,277	25,147	22,003	18,858	15,705	12,539	9,371	6,190	
Stockholders Equity													
Common Stockholders	27,990	27,990	27,990	27,990	27,990	27,990	27,990	27,990	27,990	27,990	27,990	27,990	
Retained earnings	131,017	138,611	148,467	155,925	165,397	177,502	189,768	200,779	214,909	229,391	241,351	256,892	
Current Period Earnings	7,594	9,856	7,458	9,472	12,105	12,266	11,011	14,131	14,482	11,960	15,541	16,341	
	166,601	176,457	183,915	193,387	205,492	217,758	228,769	242,899	257,381	269,341	284,882	301,224	
	285,122	288,283	295,731	300,748	310,672	320,375	329,597	341,741	353,786	362,779	377,285	391,408	